

# **Executive Summary**

## **Statewide Telecommunications Outsourcing**

### **Request for Proposal (AD040100)**

#### **Overview**

HB 2533 requires the Government Information Technology Agency (GITA), in consultation with the Arizona Department of Administration (ADOA), to develop an actionable Request for Proposal (RFP) for the privatization of the State of Arizona's telecommunication services. The telecommunications outsourcing project is supported by Governor Napolitano, who is requiring participation by all executive branch agencies.

The telecommunications outsourcing RFP must receive approval from the Information Technology Authorization Committee (ITAC) prior to submission, on October 31, 2003, to the Joint Committee on Capital Review (JCCR). To facilitate ITAC review, the RFP and related 5-year telecommunications roadmap (Roadmap) are described in this Executive Summary.

#### **Goals**

As contemplated by HB 2533, the goal of the telecommunications outsourcing RFP and Roadmap is the creation of a cost-effective, secure telecommunications system that lays the foundation for a statewide converged voice, video, and data network. The State wishes to overcome the inefficiencies of disparate systems in agency silos, increase communication between agencies, and improve government services. Outsourced management of telecommunications will also provide a foundation for important initiatives such as social services reform and criminal justice integration. Additionally, the project will positively impact delivery of broadband services to rural Arizona.

#### **Roadmap**

The statewide telecommunications Roadmap (an exhibit to the RFP) provides a five-year vision for the State's telecommunication system and for the creation of a converged statewide network. The Roadmap reflects a phased approach to outsourcing recommended by industry experts. This phased approach allows the State to quickly build on successful implementation but significantly lowers the risk to the State. The Roadmap schedules migration of all executive branch agencies into the outsourced environment during the first 2 years, with procedures described in the RFP.

The Roadmap also contemplates possible addition of other Arizona governmental organizations to enable additional economies of scale and increased intergovernmental communications. In addition to other RFP criteria, RFP respondents will be evaluated based on their proposal for Roadmap implementation as well as their experience implementing networks and working with organizations of similar size and complexity to the State of Arizona.

#### **Scope of RFP**

The successful respondent to the RFP (referred to as the "Service Provider") will manage, within a short period of time, all voice and shared data networks for the State. The Arizona Telecommunication System (ATS) portion of ADOA currently provides some voice and data services to 107 state agencies at over 267 locations throughout Arizona. All of these ATS customers will receive services from the Service Provider on contract award.

Additional agencies will be folded into the outsourced environment as called for in the Roadmap (within the first 2 years) or as they have a need for new or improved telecommunication services, whichever occurs first. For the State to continue to migrate additional agencies/locations to the outsourced environment, the Service Provider must continue to meet its performance obligations under the contract.

## **Services**

### Data Services

The Service Provider will assume management and operation of the shared data network called MAGNET (Multi-Agency Network). MAGNET is a Fiber Distributed Data Interface (FDDI) and gigabit Ethernet network connecting 29 buildings on the Capitol Mall and 2 buildings in the Tucson complex.

The network provides customers with high-speed data connectivity as well as Internet access. The Service Provider will also manage the multi-protocol backbone WAN connecting geographically dispersed agency sites around the State, including over 172 sites connected via Frame Relay (120 to Phoenix, 52 to Tucson) and 5 sites connected via ATM. The Phoenix and Tucson telecommunication hubs are connected by 4 OC-3/DS3 links.

The RFP requires the Service Provider to maintain current services by either using current infrastructure or proposing new technologies. The Service Provider must provide 24 x 7 x 365 monitoring of the data network with provisions for quality-of-service features. The following is a summary of Data Services to be provided, as detailed in the RFP:

• Statewide Connectivity	• Network Performance
• Multimedia Transport	• Moves, Adds and Changes (MACs)
• Virtual Private Networks (VPN)	• Configuration Change and Fault Management

### Voice Services

The Service Provider will initially provide voice services to approximately 14,000 telephone subscriber lines located in the Capitol Mall Complex in Phoenix and on the Tucson Complex, thereby providing services to approximately 30 percent of the State's 42,000 employees.

In order to leverage the State's existing investment and ease the transition to an outsourced environment, the Service Provider will have the option of managing the Nortel MSL-100 in Phoenix and 2 Option 81C telephone systems in Phoenix and Tucson. In addition, the Service Provider will have the option of managing 3 Octel voicemail systems, 2 Octel 350s in Phoenix and 1 Octel 250 in Tucson. The Call Center using Nortel's Symposium product currently have 850 users programmed into the system with 350 to 400 concurrent users. The Service Provider can also assume operation of a Periphonics Interactive Voice Response system as well as a Melita Predictive Dialer system (currently used by the Department of Revenue). The Service Provider will have the option of proposing other solutions as well. In any case, the Service Provider will have opportunities to recommend changes in infrastructure, particularly using new technologies, during the life of the contract.

Additional telephone services of other major agencies will be folded into the outsourced environment in the first 2 years. The Service Provider will propose whether to manage all voice traffic from a single switch (including or excluding VOIP services), retain one or more additional switches, or proposed new technology, all subject to oversight by the State.

The following voice services (detailed in the RFP) will be managed by the Service Provider:

• Integrated Voice Switching System	• Call Center(s)
• Telephone Sets with Calling Features	• Calling Cards
• Local and Long Distance Services	• Configuration Change and Fault Management
• Interactive Voice Response	• Moves, Adds and Changes (MACs)
• Integrated Voice Mail	• Network Performance

#### Help Desk Services (*Improved*)

Help Desk Services to be provided by the Service Provider as detailed in the RFP are:

• 24 x 7 x 365 Support	• Life-Cycle Management of Help Calls
• Single Point-of-Contact	• End-User Satisfaction Surveys
• Real-Time Updates re: MACs	• Problem Resolution

The RFP improves services to State customers by extending the help desk to a 24 x 7 x 365 operation. At the present time, after-hour calls are routed to a mainframe support center whose staff has little or no experience in voice/data problem resolution.

#### Statewide IP Address Management (*New*)

Currently, each agency manages its own internal IP address assignments, thereby permitting duplication that could impede movement to IP telephony. The Service Provider will be required to review all existing IP address assignments, provide recommendations for common addressing to enable seamless statewide communications and manage the resulting statewide IP address assignments.

#### **Financial**

An analysis of the current ATS cost model will be included in the RFP. All future pricing for voice and data services will be established in the contract. The Service Provider will bill agencies directly based on contract prices. The initial contract will contain pricing schedules that contemplate reduced pricing based on the addition of agencies or locations and resulting economies of scale. The State will have the right to audit the Service Provider's bills and billing practices at any time.

The Service Provider may submit benefit sharing and cost reduction proposals to the State for its consideration, both in response to the RFP and during the term of the resulting contract.

#### **Convergence Plan**

In addition to the convergence plan (included in the proposal for Roadmap implementation) submitted and evaluated with its RFP response, the Service Provider must submit to the State a more detailed convergence plan within 180 days of contract award. As the State moves to a converged network, increased savings will be realized from decreases in overhead and duplication, such as the elimination of redundant networks and circuits and reductions in moves, adds and changes.

### **New Technology**

The Service Provider may recommend changes to the State's technology in its proposal and/or during the term of its contract. Decisions on asset replacement will be made by the State. The State can pursue leasing or other financing arrangements for new technology as it migrates to that technology.

### **Additional Work Process**

Major changes in the contract will be handled by a formal "Additional Work Process" as described in the contract. This process will involve a formal assessment by the Service Provider and the agency involved of the costs and proper approach to implementation of the major change. If the State and the Service Provider can't agree on implementation of the additional work process, the State can consider other outsourcing avenues.

### **Asset Ownership**

The State will maintain ownership of all current telecommunication assets because:

- most of the existing assets are paid for and fully depreciated;
- some assets were purchased with federal funds, impacting the State's ability to sell them; and,
- the State does not want to pay for the current assets again in its service rates.

The Service Provider will not be charged for the use of any State owned assets in fulfillment of providing services in this RFP.

However, the State is willing to look at vendor proposals for alternative for future assets under the following conditions:

- the State wants to avoid an expensive payout for assets (without available appropriations) at contract termination or expiration; and
- the State wants to retain control over the vital components of its infrastructure at the end of the contract.

### **Data Network Infrastructure Upgrades**

It is important that the State maintain a robust data network to continue to provide quality telecommunication services to State agencies. The Service Provider will be responsible for maintenance and upgrades to the State's data infrastructure. The vendor community will be provided with sufficient information in the RFP to estimate the cost of such upgrades and bid their contract rates accordingly. The Service Provider will provide the State, at least annually, with an itemized list of infrastructure purchases. The contract will provide that all data network infrastructure upgrades shall be incorporated into (and become part of) the State's network and shall be State assets.

### **Commodities**

The State will maintain and continue to update a portfolio of statewide telecommunication "commodity" contracts to insure continuous competition and reduced prices on carrier services and telecommunication hardware, software and other commodities. In addition to supporting all state agencies, these contracts support and aggregate the buying power of the rural communities, cities, counties, schools and other governmental organizations in the State.

The relationship of the Service Provider to the commodity contractors will be as follows:

Carrier Services - The Service Provider will handle all interactions with the carrier services contractors (except contract interpretation/modifications) on behalf of the State. Managing payments and services

under these contracts will allow the Service Provider to identify opportunities for consolidation and cost savings across all agencies. The Service Provider will bill the agencies and maintain a payment system for payments to the carriers.

Hardware and Software - The Service Provider will recommend and approve purchases of agency-specific telecommunication hardware and software, subject to signing of purchase orders by individual agencies. The affected agency will be billed by the commodity vendor (not the Service Provider) and will own the underlying commodities. The Service Provider will manage installation and operation of the commodities.

Maintenance of Statewide Assets – The existing maintenance contracts for statewide assets will be utilized by the Service Provider.

If the Service Provider can provide equivalent products or services to those otherwise available to the State, at reduced prices, it may seek approval from the State to provide such products or services.

### **Enterprise Architecture and Security**

All activities of the Service Provider must comply with the State's Enterprise Architecture, which will continue to be updated in support of convergence. The Service Provider must also meet the State's security requirements, which are being updated as part of the State's Homeland Security efforts.

### **Administration**

Oversight of contract operation will be handled by a State Telecommunications Program Office. The office will likely have 2 or 3 employees. Proposals from the Service Provider will be reviewed and commented on by the Program Office. Only proposals that affect statewide infrastructure or statewide pricing will require approval of the Program Office. Proposals that change contract pricing or scope will be negotiated by the State Procurement Office (SPO).

### **Protective Provisions**

The RFP will provide minimum acceptable levels of performance and will have detailed termination provisions. The Service Provider will be required to meet the State's insurance requirements. Liquidated damages and a performance bond may also be required.

### **Evaluation**

The RFP responses will be evaluated based on criteria set forth in the RFP.

### **The PIJ Process**

Each agency will continue to be responsible for PIJs for their individual telecommunications projects, as mandated by statute. These PIJs will enable GITA and ITAC to provide oversight to Service Provider's performance during the contract term and Roadmap implementation.